



Highlight

Highlight Communications AG



The Highlight Group with positive development in the first quarter of 2022

- The equity ratio remains constant compared to the end of the year at 29.1%
- Consolidated revenue of CHF 88.1 million were CHF 18.4 million below the previous year's figure
- EBIT decreased to -4.2 million CHF (previous year 1.3 million CHF)

Economic development of the Highlight Group

Sales and earnings (in CHF million)

	Q1 2022	Q1 2021	Change
Sales	88.1	106.5	-17.3%
EBIT	-4.2	1.3	n/a
Net profit for the period	-7.6	-2.1	n/a
Net profit attributable to shareholders	-7.5	-1.9	n/a
Earnings per share (in CHF)	-0.13	-0.03	n/a

The sales decline was due to lower sales in the Film segment. At CHF 9.9 million, capitalized film production costs and other own work capitalized decreased by CHF 20.5 million year-on-year.

At CHF 106.8 million, consolidated operating expenses were CHF 31.2 million or 22.6% lower than in the previous year. This was mainly due to lower amortization, depreciation and impairment and a decrease in personnel expenses of CHF 6.1 million to CHF 37.2 million.

As a result, EBIT amounted to CHF -4.2 million after CHF 1.3 million in the previous year and a consolidated net profit for the period amounted to CHF -7.6 million, compared to CHF 1.3 million the same quarter of the previous year.

Net assets and financial position (in CHF million)

	March 31, 2022	December 31, 2021	Change
Balance sheet total	644.9	674.5	-4.4%
Equity	187.6	196.1	-4.4%
Equity ratio (in %)	29.1	29.1	n/a
Current financial liabilities	93.4	190.6	-51.0%
Cash and cash equivalents	47.7	48.3	-1.4%

With a reduction of CHF 4.6 million to CHF 387.3 million, non-current assets were down slightly compared with the end of 2021. The decrease in the value of film assets by CHF 3.4 million to CHF 123.6 million resulted in particular from a decrease in third-party productions while in-house productions remained almost unchanged compared to year-end 2021.

Current assets decreased by CHF 25.0 million to CHF 257.6 million, with decreases of CHF 16.5 million in contract assets and CHF 9.3 million in trade accounts receivable and other receivables being offset by a slight increase of CHF 1.2 million in inventories.

Equity decreased slightly to CHF 187.6 million compared with the end of 2021 at CHF 196.1 million.

Operational and economic development of the Film segment

Preliminary remark

In the first quarter of 2022, movie theaters still had to maintain strict hygiene concepts, which meant that they could not be filled to capacity and ticket sales were therefore limited. At the same time, the conditions for visiting movie theaters differed between the individual German federal states (e.g. 3G rule, 2G+ rule).

The Default Fund I financed by the German Federal Government (EUR 50 million for theatrical movie and TV productions) was extended to June 30, 2022. It is intended to mitigate the effects of production disruptions due to COVID-19 and allow production to resume on theatrical movies and high-end series in Germany. The fund is part of the NEUSTART KULTUR (RESTART CULTURE) program, which is expected to provide EUR 165 million in total to support the film industry.

Additional production assistance can be applied for under the “Default Fund II” (TV and streaming productions), which has been launched by the German federal states and TV stations. The fund provides production companies with financial support for the duration of filming if they incur financial losses as a result of coronavirus-related disruptions to production that are not covered by their standard insurance. This arrangement currently applies until June 30, 2022.

Given the ongoing pandemic situation, the comments below only apply to a more or less short period. They do not apply to the medium term as there is no comparative data for this situation.

The war in Ukraine did not yet have an impact on Constantin’s individual business segments in the first quarter of 2022.

Theatrical distribution – No movies were released in the reporting period.

Home Entertainment – Thanks to the withdrawal of the pandemic-related restrictions that impacted retail in the previous year, performance in the first quarter of 2022 was largely in line with expectations. This included the release of the theatrical production “After Love” and the Constantin in-house production “Resident Evil – Welcome to Raccoon City”. Other releases included the Tim Fehlbaum movie “Tides” and the successful TV series “Der Palast”, which was produced by the Constantin subsidiary Moovie.

The positive overall results were driven to a large extent by the sales figures for catalog titles in both physical and digital formats, especially titles such as the theatrical hit “Monster Hunter”, the “After” and “Ostwind” series, and the “Werner” series. In digital distribution, the theatrical hits “After Truth” and “Kaiserschmarrndrama” both reached 250,000 digital transactions.

License trading/TV exploitation – Licenses started for the theatrical movies “Thank You For Your Service” (ProSieben) on free TV and “Dragon Rider” (Sky) on pay TV (PPC).

TV service production – The first quarter of 2022 saw the start of filming on double episodes 13 and 14 of “Kroatien-Krimi” (Constantin Television for ARD) and the fifth episode of “Ein Krimi aus Passau” (Hager Moss Film for BR). Filming also began on the 19th season of the soap opera “Dahoam is Dahoam” (Constantin Television for BR) and will continue until the end of the year.

Constantin Entertainment achieved major sales success in the first quarter of 2022. In particular, RTL commissioned several event shows including “Die Passion”, “Die Luftballonmeisterschaft”, “Frei Schnauze” and “Ich setz auf Dich”. In addition, 100 episodes of the new daily cookery show “Doppelt kocht besser” were placed in Sat.1’s early evening schedule, where “K11 – Die neuen Fälle” has already established an audience of more than one million viewers (aged three and over). Following in the footsteps of “LOL 1”, “LOL 2” became the most successful show of all time on Amazon Prime Video Germany. “LOL 3” began streaming at midnight on April 14, 2022, while filming on “LOL 4” will begin in fall 2022.

Several TV service productions achieved double-digit percentage market shares (overall market) in the first quarter of 2022. The finale of the third season of “Die Heiland” (Olga Film) in February achieved an audience of 4.99 million viewers on ARD and an impressive market share of 16.2%. The 90-minute TV movie “Auf dem Grund” (Hager Moss Film) was seen by 6 million viewers on ARD in March, achieving a market share of 21.5%. On BR, the soap opera “Dahoam is Dahoam” attracted an audience of more than half a million viewers in the first quarter of 2022, reaching a market share of 14.9% in Bavaria. And the

six episodes of “Der Palast” on ZDF notched up almost 11 million views on the channel’s on-demand service alone, with an average audience of 1.2 million viewers.

Sales and earnings (in CHF million)

	Q1 2022	Q1 2021	Change
Segment sales	48.2	67.9	-29.1%
Segment earnings	0.8	3.3	-76.3%

The sales decrease in the segment was due in particular to lower revenues in the TV service productions and streaming productions area compared to the previous year.

Other segment income, which is largely influenced by capitalized film production costs, decreased by CHF 18.3 million to CHF 13.1 million as a result of the lower production volume. Segment expenses fell by CHF 35.6 million to CHF 60.5 million.

Operational and economic development of the Sports and Event segment

The Board of Directors of the Highlight Group has decided to report the Sports (Group company Sport 1 Medien AG) and Sports- and Event-Marketing (Group companies TEAM Group & Highlight Event AG) segments in the sports and Event segment as of January 1, 2022.

In the first quarter of 2022, TEAM commenced preparations for the sales process for the UEFA Champions League, UEFA Europa League and the UEFA Europa Conference League for the 2024/25 to 2026/27 rights cycle.

Furthermore, TEAM supported the business partners in the preparations for the final of the UEFA Champions League Final in Paris, the UEFA Europa League Final in Seville and the first ever UEFA Europa Conference League Final in Tirana.

In the first quarter, Highlight Event AG successfully arranged the New Year’s Day Concert 2022 for media partners and sponsors in close cooperation with the Vienna Philharmonic Orchestra and host broadcaster ORF despite the difficulties resulting from the pandemic situation, which saw capacity at the Wiener Musikverein limited to around 50%. In addition, sales negotiations for the sponsors of the Eurovision Song Contest 2022 (including booking.com, Idealista, TikTok and Vueling) and contractual negotiations and preparations for the Vienna Philharmonic Orchestra’s sponsor events in 2022, 2023 and 2024 (including the Summer Night Concert 2022, Cologne, Brussels, New York and Tokyo) were concluded or intensified.

Sport 1 GmbH acquired new rights for its product and program portfolio in the first quarter: Thanks to an extensive cooperation with DAZN, SPORT1 is continuing its darts success story for a further five years to 2026 after acquiring the exploitation rights for numerous Professional Darts Corporation (PDC) tournaments. In addition to the World Darts Championship and the Premier League Darts, the second most important tournament, the package includes the UK Open, the World Grand Prix, the European Championship, the World Series of Darts Finals and the Grand Slam of Darts, as well as four prestigious PDC Europe events every year. These extensive rights mean that, having begun broadcasting darts in 2004, Germany's leading 360° sports platform is now showing more darts than ever before.

In the quarter under review, SPORT1 also acquired the rights to the FIFA Club World Cup UAE 2021™ and the ISTAF INDOOR athletics events in Berlin and Düsseldorf from Dentsu, as well as the rights to the BMW International Open golf tournament in Eichenried near Munich, the bevestor Virtual Bundesliga, an e-sports tournament organized by DFL Deutsche Fußball Liga in conjunction with ESL Gaming, and numerous live events in mixed martial arts (MMA) as part of a cooperation with FIGHTING.de, which will also be broadcast on the new multisport streaming platform SPORT1 Extra. Additionally, the new "24/7 Sports Pack" was launched on SPORT1 Extra in February. This package of channels includes Sportdigital FUSSBALL, Motorvision.TV, fight24 HD, EDGEsport and SPORT1+. A new quiz format, "Fußball für Besserwisser", was launched in March while one of SPORT1's most successful formats, "Fantalk", celebrated its tenth anniversary in the first quarter.

SPORT1's free TV market share amounted to 0.5% among all viewers aged three and over and 0.9% in the target group of 14- to 59-year-old men in the first quarter of 2022, up 5% and 10% respectively on the same period of the previous year. This positive development was driven in particular by the exciting conclusion to the Darts World Championship and the top matches in Bundesliga 2 on Saturday evenings.

In terms of digital content, visits increased by 8% and video views on the SPORT1 platforms rose by 27% in the first quarter of 2022 compared with the same period of the previous year. The upturn in the number of visits is due to significantly improved visibility via search engines and social media channels, while the growth in video views was driven in particular by the website relaunch in mid-2021. Video views on YouTube were down 6% year-on-year in the first quarter of 2022.

SPORT1 Business, the marketing unit of Sport 1 GmbH, extended its cooperation with the automotive brand SsangYong Motors and expanded its partnership with Automobilclub von Deutschland e.V. (AvD) in the first quarter of 2022. The other Sport 1 Medien AG Group companies also focused on maintaining and expanding new and existing partner and customer relationships in the quarter under review.

Sales and earnings (in CHF million)

	Q1 2022	Q1 2021 (Restated)¹	Change
Segment sales	40.0	38.6	3.5%
Segment earnings	-3.3	-0.56	n/a%

The external sales of the Sport segment increased by CHF 1.4 million to CHF 40.0 million.

Other segment income decreased by CHF 0.1 million to CHF 1.5 million while segment expenses rose by CHF 3.9 million to CHF 44.8 million, meaning that segment earnings decreased by CHF 2.7 million overall to CHF -3.3 million compared with the same quarter of the previous year.

¹ For better comparability, the previous year's figures for the Sports and Sports- and Event-Marketing segments have been adjusted.

Report on risks and opportunities

There were no changes in the Highlight Group's risks and opportunities in the first quarter of 2022. A detailed description of the risk management system and the risk and opportunity profile can be found in the management report of our 2021 annual report.

Forecast

Although COVID rules have been relaxed since April 3, 2022 (visitors to movie theaters are no longer required to satisfy the 3G/2G rules or wear a mask), infection rates remain high and the possibility of the rules being tightened during the course of 2022 cannot be ruled out, meaning that the reliability of the forecast for 2022 is inherently limited.

It is not currently possible to estimate the consequences and duration of the war in Ukraine.

Film Segment

At present, growing media consumption and a rise in global demand for audio-visual products can be cautiously predicted, which would result in a positive overall situation in the Film segment.

Assuming this is the case, the sales forecast for 2022 is generally based on a promising portfolio of attractive own/co-productions and licensed films for cinema and home entertainment. In addition, activities in the TV service production business area are set to pick up.

In theatrical distribution, nine film releases are planned for 2022, including “Stasikomödie”, “Guglhupfgeschwader”, “Freibad”, “Der Nachname” and “Caveman”.

In home entertainment exploitation, which includes digital and physical sales, we continue to anticipate good digital sales figures for our new releases and catalog products.

With inflation having an adverse effect on consumer sentiment, we expect physical business with the sale of audiovisual storage media to be difficult.

Due to the partial closure of the movie theater market last year, new releases of theatrical productions for home entertainment exploitation will be postponed until the fourth quarter of 2022.

This will also have a partial impact on the home entertainment sector in the current financial year.

In the second quarter of this year, the free-TV business area of the license trading/TV exploitation business area will be dominated by sales from the theatrical movies “The Silence” and “Die schönste Zeit unseres Lebens”. The pay TV (PPC) license for “Breaking News in Yuba County” will begin in the second quarter.

Sports and Event segment

In the next quarter, TEAM will focus on finalising the commercial concept for the 2024/25 to 2026/27 rights cycle for all three of UEFA’s Club Competitions. Once agreed, TEAM will launch the first media tenders for the new cycle.

On the delivery side, TEAM will support UEFA and its partners in delivering a successful knock-out phase and finals of the current season, the first of the current rights cycle.

The outlook for the projects of Highlight Event AG is positive, as the key media and sponsorship agreements for the Eurovision Song Contest and the Vienna Philharmonic Orchestra have been extended for the long term and events can take place without restrictions once again. Accordingly, the main focus is on the successful implementation of the agreements and preparations for extending both agency agreements.

In fiscal 2022, Sport 1 will again primarily focus on the systematic use, distribution, and capitalization of multimedia content. In addition to augmenting the SPORT1 portfolio by acquiring new rights, extending existing partnerships and developing new content cooperations and business areas, cross-platform exploitation and production of established pillars of programming also remain central. In particular, these include the core sports of soccer, darts, motorsports, ice hockey, basketball, volleyball, US sports and e-sports. Furthermore, the digital diversification of the SPORT1 brand will continue to be promoted and new

content and marketing environments will be created in view of the continued massive growth in the digital and cross-platform use of media content – for example, using the Bundesliga and Bundesliga 2 highlight and archive clips acquired in the DFL rights tender for exploitation on digital platforms. Another focal point is the planning and implementation of promising crypto projects.

In addition to complex live and non-live productions, PLAZAMEDIA will continue to focus on developing innovative production technologies, content management solutions and technical content distribution in 2022. The main priorities for sports at the other subsidiaries of Sport1 Medien AG will also be maintaining and expanding existing customer relationships and developing new ones. There will be a particular focus on making the best possible use of synergies in the sports sector, where the subsidiaries cover the entire value chain and accordingly provide integrated services for partners and customers.

Events after the balance sheet date

At the allocation of funding by the German Federal Film Board for 2021, which took place in April 2022, the Constantin Film Group was recognized as the most successful German producer and distributor of German movies despite the six-month closure of movie theaters and the extensive restrictions imposed in response to the pandemic. This meant it received funding of around EUR 1.9 million for production and around EUR 0.6 million for distribution. The biggest subsidies were received for “Kaiserschmarrndrama”.

Notes and forward-looking statements

This document is a quarterly statement according to Section 51a of the Exchange Rules for the Frankfurter Wertpapierbörse.

For calculation-related reasons, rounding differences of +/- one unit may arise and the percentages shown may not precisely reflect the absolute figures to which they relate.

This document contains forward-looking statements that are based on estimates and expectations of the Group management. Words such as "anticipate", "intend", "expect", "can/could", "plan", "intended", "further improvement", "target is", and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not historical facts. These are subject to risks, uncertainties and factors, of which most are difficult to assess and which in general are beyond the control of the Group management. If one or more of these risks or uncertainties materializes, or if underlying expectations do not occur or assumptions prove to be incorrect, the actual results, performance, or achievements of the Highlight Group may differ significantly from those described explicitly or implicitly in the forward-looking statements. Highlight Communications AG does not intend to continuously update the forward-looking statements contained in this document.

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